Coordinating Commission for Postsecondary Education
Revenue Bond Project Evaluation Form

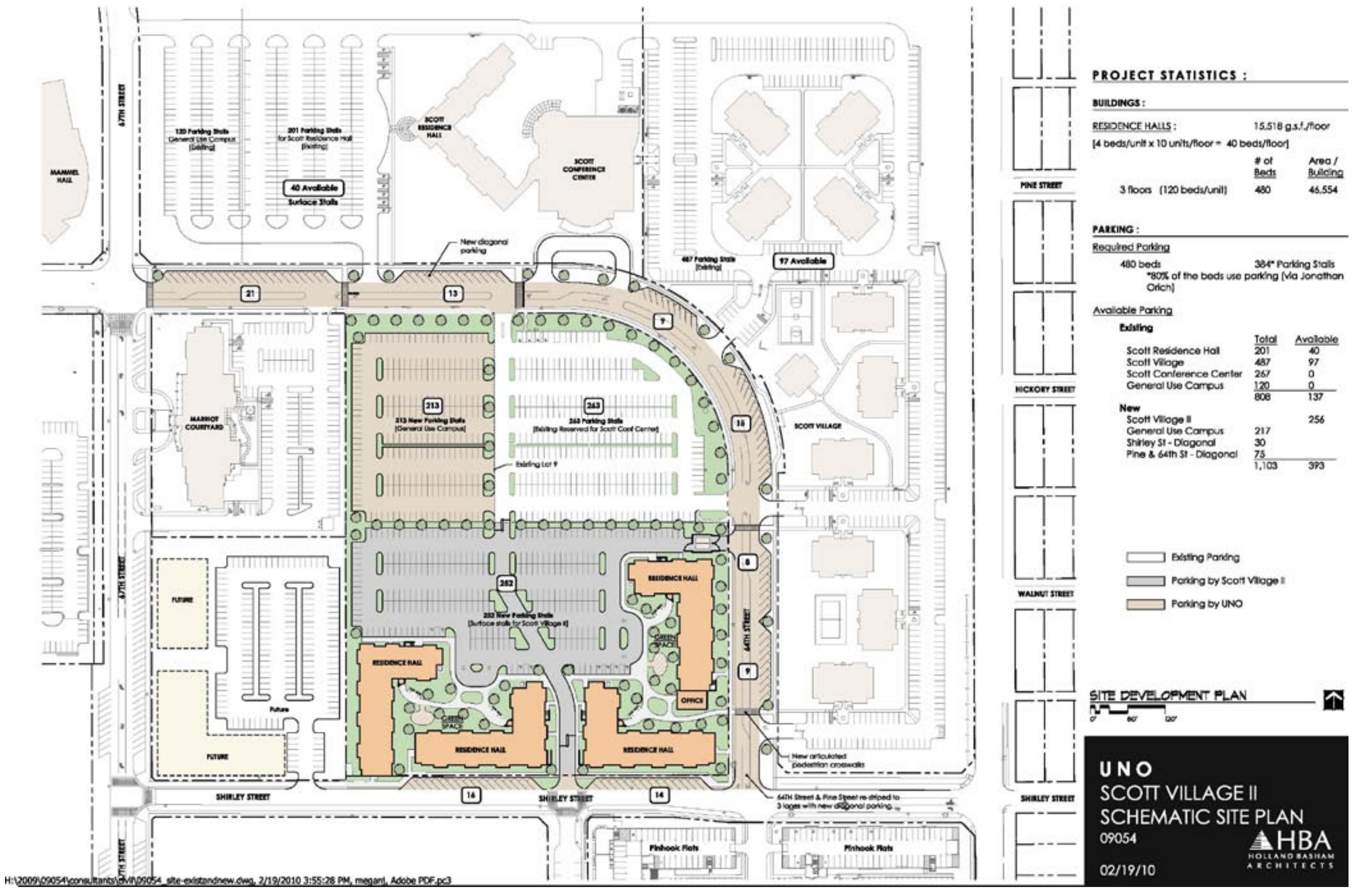
Committee Draft
March 18, 2010

Institution/Campus: University of Nebraska at Omaha / Pacific Street
Project Name: Scott Village II student housing purchase
Date of Governing Board Approval: January 22, 2010 / March 5, 2010 (finance plan)
Date Complete Proposal Received: March 8, 2010
Date of Commission Evaluation: March 24, 2010

Project Description: The University of Nebraska Board of Regents approved a ground lease and purchase agreement with the Suzanne and Walter Scott Foundation on January 22, 2010. The purpose of the ground lease was to allow five acres of private development on the UNO Pacific Street location to construct and operate a 480-bed apartment style complex (Scott Village II). Construction would begin on the complex in spring 2010 with completion scheduled for fall 2011. A site plan is provided on the following page. This revenue bond proposal involves more complicated than normal financing to build additional student housing units on the UNO campus.

The plan calls for a private developer (the Scott Foundation) to build a student housing complex and then sell it to the University. The University would use proceeds of a revenue bond issue done in 2010 to make the purchase sometime in 2011. The University would offset a currently unknown amount of the purchase price by paying the Scott Foundation a “development fee” over each of the next 30 years. The annual development fee would equal 60% of the net cash flow of the student housing project, subject to a limitation sufficient to keep UNO’s annual bond debt service coverage ratio for the project at 1.4X or greater. Financing details are quite complex and will be discussed in the following material. As the foregoing description illustrates, a major difficulty in evaluating this proposal involves the large number of key variables that can now only be estimated.

History of UNO Campus Student Housing: Since UNO’s first residence hall complex (University Village) was opened in 1999, three additional on-campus housing complexes have been added. Scott Residence Hall, opened in 2001 and located at the Pacific Street location, is owned by the Suzanne and Walter Scott Foundation through a ground lease agreement. Scott Village, also located at the Pacific Street location, was constructed by the Scott Foundation and purchased by the university in 2003. Both Scott Residence Hall and Scott Village are operated for the university by Scott Residential Management, LLC. Maverick Village, on the Dodge Campus, was constructed by the university in 2008 and is operated by UNO. University Village was recently purchased from a private development company based on concerns regarding management of the complex in addition to providing long-term savings to UNO’s revenue bond program by eliminating development and management fees.



Project Details: Scott Village II would consist of four three-story apartment buildings with 30 units per building (four bedrooms per unit) totaling about 187,636 gross square feet (gsf), one management office totaling 1,400 gsf, and one parking lot with about 252 parking spaces. Each apartment would have four individual bedrooms, two bathrooms, a living room and a full-sized kitchen. All utilities, cable and internet service would be included. Apartment units would be fully furnished and have 12-month leases. Central laundry and mailboxes would be provided on the 1st floor along with a commons area on the 2nd floor of each building. The management office would be used to manage all three housing complexes on UNO's Pacific Street location.

Project Financing: The total project cost for the Scott Foundation to construct and furnish a 480-bed apartment complex with parking is estimated to range between $18.23 million and $23.5 million ($97.15/gsf to $125.24/gsf or $37,978/bed to $48,958/bed). A more accurate estimate of total project costs cannot be determined since construction bids have not been received at this time. The range in total project costs is based on Commission staff and Scott Foundation estimates.

The university would purchase Scott Village II facilities and furnishings with an initial purchase payment from revenue bond proceeds, estimated by the university to be between $14.62 million and $15.67 million, depending on interest rates at the time of the revenue bond issue. The lower payment is based on current interest rates plus 50 basis points, which would be the maximum interest rate allowed by the Board of Regents. The initial purchase payment would be financed from proceeds of a 30-year revenue bond issue financed largely from apartment rental fees. Debt service on the bond issue is fixed at an average $1.115 million per year. The proposed annual debt service amount permits a minimum debt service coverage ratio of 1.4X to be maintained, thus supporting the university's current Aa2 credit rating with Moody's Investment Service.

The Scott Foundation would cover the remaining cost of the project by providing a "discount" estimated between $2.56 million and $8.88 million. Much or all of the discount would be repaid through development fees paid to the Scott Foundation over a 30-year period. (Indeed, the net present value of the development fees would likely exceed the value of the discount.) The net present value of those development fees is estimated to be between $5.23 million and $7.5 million. Both the discount and development fee net present value ranges are based on University of Nebraska and Commission staff estimates.

The net development fee would be adjusted annually to ensure that a minimum debt service coverage ratio of 1.4X is maintained for this revenue bond issue. University staff estimates that the Scott Foundation's development fee may be reduced in the project's early years to meet this minimum debt service coverage ratio. This assumption is based in part on revenues generated from an occupancy rate of 92.7% of available beds. If 100% occupancy rates were achieved at the new student housing complex, similar to all other existing UNO housing, then first year net development fees would increase from the estimated $31,400 to about $225,000, with additional increases in subsequent years.

University staff estimates that first year facility operating and maintenance (O&M) expenses would be about $1,058,431/year ($5.64/gsf/year), financed from apartment rental fees. The facility O&M expenses include a management fee of 4% gross rentals (estimated at $104,853 in FY2012) payable to Scott Residential Management, LLC. Both facility O&M and gross rentals would be adjusted in subsequent years to account for market conditions and inflation.

The following information, provided by the university, shows projected income, expenses, and debt service coverage for the first full year of operation in FY2012:

1st Year Estimated Revenues:	
Rental income (480 beds x 92.7% occupancy x $482/month average x 12 month lease)	$2,573,820
Reserve Fund Interest Income	$ 27,914
Other housing income (laundry, vending, late fees, etc.)	$ 47,500
Total Operating Revenue	$2,649,234
1st Year Estimated Expenses:	
Student Housing Operations (marketing, management, O&M, etc.)	$1,058,431

Net Development Fee (60% of free cash flow is $286,163 less $254,771 to maintain 1.4X Debt Service Coverage Ratio)	$ 31,392*
Total Operating Expenses	$1,089,823
1st Year Estimated Income Available for Debt Service:	$1,559,411
1st Year Estimated Debt Service:	$1,113,865
Debt Service Coverage Ratio:	1.40

* The university estimates that the net development fee would increase in each subsequent year of the *Ground Lease/Purchase Agreement*. The university provided a table (attached at the end of this evaluation) that outlines estimated annual net development fees over the 30 years of the university's agreement with the Scott Foundation. The development fee to be paid the Scott Foundation is based on 60% of the annual free cash flow available from the project, with the stipulation that the development fee can be reduced (but not below zero) during any year in order to maintain a 1.4X debt service coverage ratio.

1. **The proposed project demonstrates compliance and consistency with the *Comprehensive Statewide Plan*, including the institutional role and mission assignment.**

Yes	No**
☐	■

** Although several aspects of the proposed project demonstrate compliance and consistency with the Comprehensive Plan, others do not. These areas of noncompliance and inconsistency with all aspects of the *Comprehensive Plan* are regrettable. They will be examined in detail in the following materials and placed within the context of a highly unusual proposal.

Comments: Page 1-7 of the Commission's *Comprehensive Statewide Plan for Postsecondary Education* states: "Nebraska public institutions are accountable to the State for making wise use of resources for programs, services, and facilities as well as for avoiding unnecessary duplication." The information available to the Commission at this time makes it difficult to assess with complete confidence whether institutional resources would be used as effectively as possible in meeting institutional and student needs.

Page 4-4 of the *Plan* states: "The state expects auxiliary services at public postsecondary education institutions and some student services, such as residence halls, bookstores, and food services, to be self-supporting." As proposed, this project would be self-supporting through student housing rental fees.

Page 6-3 of the *Plan* states: "Facilities funding has historically come from a variety of sources. These sources of funding and example applications include: . . . User fees for student centers, residence halls, and parking;" The proposal meets that provision of the *Plan*.

The Commission adopted “Guidelines for Commission Review of the Acquisition, Construction, and Renewal of Capital Construction Projects” on April 6, 2006, incorporating these Guidelines into the *Comprehensive Statewide Plan*. The following material is excerpted from the *Guidelines* and is relevant to the proposed project:

> “**Good Value in Acquisition of Facilities** - Public higher education institutions and boards seek good value as they consider acquiring facilities, either by purchase or gift. Some examples of such “seeking good value” practices include:
>
> - Considering Alternatives. An analysis of possible alternatives is made prior to the acquisition of any facility to determine the most effective approach to meeting the identified need (e.g., purchase vs. lease vs. new construction vs. renewal of existing facilities). Decisions about the most cost-effective approach include considerations of both initial and long-term costs.
> - Determining How Much to Pay. When purchasing a property, tax valuations or independent appraisals are used to assure that a justifiable price is paid.”
>
> “**Good Value in New Capital Construction Projects** - Nebraska’s public higher education institutions and boards seek good value as they make decisions about new capital construction projects, whether constructed directly by an institution or through a private developer. Some examples of such “seeking good value” practices include:
>
> - Competitive Selection Process. Competitive proposals are sought and received from developers or construction contractors for any new facility built on institutional property, in accordance with applicable statutes and governing board policies.”

Comments:

Considering Alternatives – The university believes that there is no other viable alternative to the proposed project at this time. University staff estimates that it would be at least five years before UNO would have sufficient revenue bond capacity to finance a similar sized project with its own funds, and consequently, did not seriously consider other alternatives. The university presented several reasons why adding additional housing units now is beneficial to the university and its students.

Determining How Much to Pay – The actual total project cost cannot be determined at this time, nor can an independent appraisal be made on a project for which construction is not complete. Nevertheless, without knowing actual total project costs, the university has agreed to pay an initial purchase price of $15.67 million (based on current interest rates) plus development fees over a 30-year period having an estimated net present value between $5.23 million and $7.5 million. Because construction of the project has been neither bid nor completed, it is not possible to *"assure that a justifiable price is paid."* The university believes that this uncertainty about the ultimate price is more than offset by the certainty of maintaining the debt coverage this approach will provide.

Competitive Selection Process -- Competitive proposals were not sought in the selection of a developer for this project. The university signed a *Ground Lease/Purchase Agreement* with the Scott Foundation without receipt of other proposals. It is the university's understanding that Kiewit Construction will act as the construction manager for the project and seek competitive construction bids for the project. Reductions in the project cost due to competitive bidding would reduce the Scott Foundation's discount (secondary loan) for the project, but per the agreement, would not reduce the developer's fee in the amount of 60% of the free cash flow over a 30-year period.

This project is not directly applicable to UNO's role and mission assignment as it involves student support space.

2. **The proposed project demonstrates compliance and consistency with the *Statewide Facilities Plan*.**

Yes ☐ No** ☒

Comments: This does not meet criteria in the Commission's *Statewide Facilities Plan* dealing with the question of whether the amount of requested funds is justified for the project.

** Historically, the Commission has recommended disapproval if a proposed project failed to reasonably meet any of the points set forth in items 2(A-K) of this review document. As indicated above, the highly unusual nature of the Scott Village II project and at least some of the important needs it is focused on meeting support a more flexible evaluation. See the final section of this document (COMMISSION ACTION AND COMMENTS).

2.A **Degree that the project demonstrates compliance with the governing-board-approved institutional comprehensive facilities plan.**

High . . . . Low
☐ ☒ ☐ ☐ ☐

Comments: The Board of Regents approved the *UNO Facilities Development Plan 2006-2015* on June 15, 2006. This *Plan* states on page 23: “Student housing at UNO is a fairly recent development and has only existed since the late 1990s with the construction of units at University Village at the Dodge location to house 568 students. In 1999 this accounted for four percent of the student population. In 2000 the Scott Residence Hall was constructed at the Pacific location and contained space for 164 students. This was followed by 480 student beds at Scott Village, also at the Pacific location, for a total capacity of 1,212 students which was eight percent of the UNO student population. UNO is presently reviewing proposals to construct the second phase of student housing at the Dodge location. This phase will house an additional 400 students for a total of 1,612 available student housing beds serving 11 percent of the current UNO student population. On average, peer institutions provide student housing for 13 percent of their student population.”

Page 34 of the *UNO Facilities Development Plan 2006-2015* states: "The goal is to increase residential student housing to 2,400 beds during this planning period."

Page 47 of the *UNO Facilities Development Plan 2006-2015* identifies the proposed site as "Future Student Housing."

UNO constructed Maverick Village in 2008 that addressed the issues outlined in the *UNO Facilities Development Plan 2006-2015*. This proposal would increase UNO's student housing capacity from an existing 1,608 beds to 2,088 beds. Completion of Scott Village II student housing would make student housing available to 14.3% of the student population.

2.B **Degree that the project addresses existing facility rehabilitation needs as represented in a facilities audit report or program statement.**

High . . . . Low

☐ ☐ ☐ ☐ ☐

Comments: Not applicable to this proposal to purchase the Scott Village II student housing complex.

2.C **Degree that project justification is due to inadequate quality of the existing facility because of functional deficiencies and is supported through externally documented reports (accreditation reports, program statements, etc.).**

High . . . . Low

☐ ☐ ☐ ☐ ☐

Comments: Not applicable to this proposal to purchase the Scott Village II student housing complex.

2.D **Degree that the amount of space required to meet programmatic needs is justified by application of space/land guidelines and utilization reports.**

High . . . . Low

☐ ■ ☐ ☐ ☐

Comments: All four existing campus housing complexes have 100% occupancy rates for the 2010 spring semester. Each of the four housing complexes has a waiting list. The total number of students on a wait list for all housing complexes combined was about 70 students at the beginning of the current semester.

2.E **Degree that the amount of space required to meet specialized programmatic needs is justified by professional planners and/or externally documented reports.**

High . . . . Low

☐ ■ ☐ ☐ ☐

Comments: In 2002, the Scott Foundation contracted with a housing consultant to develop a market study of UNO student housing needs. The study estimated demand for on-campus housing of 1,350 to 2,650 beds for full-time undergraduate students. This project would provide an additional 480 beds for a total of 2,088 beds. Full-time undergraduate enrollment has increased by nearly 12% to 9,064 since the 2002 market study was completed. The study also identified single bedrooms in four-bedroom suites as students' preferred type of unit.

2.F **Ability of the project to fulfill currently established needs and projected enrollment and/or program growth requirements.**

High . . . . Low

☐ ■ ☐ ☐ ☐

Comments: The university also anticipates that an additional demand for UNO on-campus student housing will be created by Bright Futures/Avenue Scholars students who are projected to graduate from high school in the coming years. The Bright Futures Foundation is projecting that college enrollment from these students would increase from 25 in the current year to more than 1,000 students over the next six years. The Bright Futures Foundation is projecting that half of these students would enroll at UNO as full-time students and half would be dual enrolled at UNO and Metropolitan Community College. It is projected that the Avenue Scholars and Bright Futures programs would finance all tuition and fees and room and board for these disadvantaged low-income students. As this is a new untested program, it is not clear at this time what the actual student retention rate or increase in on-campus housing demand will be based on these programs.

2.G **The need for future projects and/or operating and maintenance costs are within the State's ability to fund them, or evidence is presented that the institution has a sound plan to address these needs and/or costs.**

High . . . . Low

Comments: The university is not proposing to use state funds for this project. In regards to university commitments of rental income, revenue and expenditure projections appear to support the ability to finance a 30-year revenue bond issue for purposes of acquisition of this housing complex. Sufficient rental income also appears to be available to adequately operate and maintain the complex over this 30-year period. As UNO will only be able to retain 40% of any free cash flow over the 30-year purchase period, fewer funds will be available for future renovation and repair compared to other housing projects that do not include developer and management fees.

2.H **Evidence is provided that this project is the best of all known and reasonable alternatives.**

High . . . . Low

Comments: The university believes that there is no other viable alternative to the proposed project at this time, and no other alternatives were presented in the initial submission of the proposal. In subsequent discussions, University staff estimated that it would be at least five years before UNO would have sufficient revenue bond capacity to finance a similar sized project with its own funds. They further stated that self-financing a smaller project through reliance on UNO's current bonding capacity was not feasible. With the exception of the Nebraska College of Technical Agriculture at Curtis, donors have historically been reluctant to help finance residence hall facilities. The Scott Foundation's willingness to provide an initial discount, offset in whole or in part by development fees to be repaid over a 30-year period, is a significant factor in UNO's ability to finance this proposal.

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2.I **Degree that the project would enhance institutional effectiveness/efficiencies with respect to programs and/or costs.**

High . . . . Low

Comments: The proposed housing complex would likely maintain a high occupancy rate, in part because it would be the newest residence hall complex on campus. Increased management costs and the loss of 60% of the free cash flow would result in less long-term funding being available for housing complex renovations and improvements.

2.J **Degree that the amount of requested funds is justified for the project and does not represent an insufficient or extraordinary expenditure of resources.**

High . . . . Low

Comments: **Acquisition Costs -** The *Ground Lease/Purchase Agreement* approved by the Board of Regents outlines that the purchase price is equal to 1) the Scott Foundation's direct costs to develop, construct, lease and otherwise prepare the property <u>less</u> 2) a discount sufficient to enable the university to finance the project with revenue bonds maintaining a minimum debt service coverage ratio of 1.4X during each year of financing. As the project has not been bid or constructed, there is no way to determine either the direct costs or the discount at the present time.

Per the *Agreement*, the closing date for the purchase of the project would be no earlier than August 1, 2011 or completion of construction, whichever is later.

The *Agreement* also states that the university agrees to pay a development fee for 30 years following the closing date in the amount of 60% of the free cash flow.

The university estimates that it will be able to issue $18 million in resulting in net proceeds of $15.67 million, while maintaining a debt service coverage ratio of 1.4X based on current interest rates. Development fees would be paid over a 30-year period. Based on a 7% rate of return for good quality Build America Bonds, the net present value of the development fee payments is

$5.23 million. The net present value of the development fees could increase to an estimated $7.5 million should Scott Village II maintain a 100% occupancy similar to all other existing student housing at UNO. Thus the total acquisition costs for the proposed project would likely range between $20.9 million and $23.17 million.

The Scott Foundation provided a preliminary project cost estimate of $23.47 million ($125.09/gsf). Actual costs would be based on construction bids that are not available at this time.

Commission staff's estimate to construct and furnish an apartment building complex (including parking) per R.S. Means Square Foot Costs is $21,446,300 ($114.30/gsf), based on the median costs for this type of facility and assuming no profit margin. Because of the current extremely competitive bidding environment, it is possible that project costs could be an additional 5% to 15% lower, as contractors have recently been willing to bid projects at a loss in order to retain employees.

Operating and Maintenance Costs - The university's estimate to operate the Scott Village II housing complex in its first year of operations is $1,058,431 ($5.64/gsf/year). Expenses include management and promotional expenses in addition to facility operating and maintenance costs, which include a 4% management fee payable to Scott Residential Management, LLC. The university's estimated operating expenses are nearly 10% higher per square foot than recently purchased housing complexes operated by UNO housing staff.

2.K **Source(s) of funds requested are appropriate for the project.**

High . . . . Low

☐ ☐ ■ ☐ ☐

Comments: The use of room rental fees to retire a 30-year revenue bond issue for acquisition of student housing and furnishings is appropriate.

The Board of Regents authorized a principal bond issue not to exceed $18,000,000 with a 30-year maturity. The use of funds is broken out as follows:

- Net proceeds from bond issue - $15,670,000
- Debt service reserve fund - $ 1,117,000
- Capitalized interest fund - $ 890,000
- Cushion for interest rate changes - $ 55,000
- Issuance & miscellaneous costs - $ 258,000

The Board of Regents authorized an average coupon rate not to exceed 5.0%, based on current interest rates plus 50 basis points of cushion to accommodate possible changes in rates prior to issuing bonds. Annual debt service for the bond issue would be fixed at an average $1.115 million, totaling about $33.05 million in principal and interest payments.

A decrease or increase to current interest rates would affect the amount of the net proceeds from the bond issue to be paid to the Scott Foundation as an initial payment for this proposal. If interest rates increase to the maximum amount permitted by the Board of Regents, the net proceeds from the bond issue would decrease to about $14.62 million.

The university is looking for the flexibility to issue bonds for this project as early as May 2010 in order to obtain the most advantageous interest rates possible. However, going to the market early and issuing bonds up to one year in advance of the actual purchase results in additional bond funding of $890,000 (for a capitalized interest fund) and interest payments over 30 years on this increased bond funding. University staff estimates that interest rates would need to increase by more than 53 basis points over the next year to recoup the additional costs associated with going to market early.

3. **The proposed project demonstrates that it is not an unnecessary duplication of facilities.**

Yes	No
■	☐

Comments: The University has demonstrated that this project would not unnecessarily duplicate residential space on the UNO campus.

3.A **Degree that the project increases access and/or serves valid needs considering the existence of other available and suitable facilities.**

High . . . . Low

Comments: This project would bring UNO on-campus housing capacity to a level above the mid-point of peer institutions. Current occupancy rates of 100% for existing housing appear to support at least some increase in capacity. The need to house Bright Futures/Avenue Scholar students in the future also supports increased on-campus student housing capacity.

4. **The project's proposal provides sufficient information from which the Commission can review and make an informed recommendation.**

Yes No

Comments: Information was provided to the Commission to make a recommendation on this proposal. However, because the university requested that this proposal be reviewed prior to actual project costs being finalized, it is not possible to evaluate with confidence the long-term financial value of this proposal to UNO and its students.

COMMISSION ACTION AND COMMENTS:

Approve Disapprove

Action: COMMISSION RECOMMENDATION -- Pursuant to the Nebraska Revised Statutes (Supp. 2007), Section 85-404, the **Budget, Construction and Financial Aid Committee** of the Coordinating Commission for Postsecondary Education recommends that the Legislature approve the university's proposal to issue revenue bonds for the acquisition of Scott Village II facilities and furnishings on the University of Nebraska at Omaha's Pacific Street location as outlined in the university's proposal and finance plan provided for review.

Comments: Statutes require that Commission provide a recommendation to the Legislature for approval or disapproval within 60 days of the receipt of a proposal, and that the Legislature or the Executive Board of the Legislative Council then review and approve or disapprove the proposal. The university intends to seek the Legislature's approval prior to the end of the current legislative session.

The Commission has historically been supportive of residence halls at UNO. The university has demonstrated a need for some additional on-campus student housing. Existing student demand has allowed UNO to maintain its current housing complexes at 100% capacity. Additional demand from Bright Futures/Avenue Scholar students will also create additional student housing demand.

Many of those students will be drawn from Omaha's areas of concentrated, entrenched poverty – among the worst in the nation. Major efforts must be made to ensure that those students are successful. Embedding them fully in the university by housing them on campus is an important strategy supporting that success. The Commission applauds the efforts of the Omaha community to increase the college-going rate through the Bright Futures and Avenue Scholarship programs. In addition, such initiatives are consistent with one of the Governor's P-16 goals emphasizing the Omaha area.

The use of revenue bonds is an acceptable means of financing new residence hall facilities on a university campus. The *Ground Lease/Purchase Agreement* between the university and the Scott Foundation requires a minimum debt service coverage ratio for a revenue bond issue of 1.4 times available income after expenses. When all UNO existing and proposed revenue bond issues are considered, UNO estimates that it would maintain a 1.40X debt service coverage ratio in FY2012, with increasing coverage ratios in later years. University bond covenants require a minimum debt service coverage ratio of 1.15X. Debt service coverage ratios in excess of 1.40X help support the university's current Aa2 bond rating with Moody's Investors Service.

The Commission recognizes the Scott Foundation's past and ongoing generosity to the university, particularly in regards to the Peter Kiewit Institute and UNO's Pacific Street location. Among the annual gifts provided by the Scott Foundation is an underwriting of 120 to 140 Scott Scholars in Information Science and Technology along with annual support for Peter

Kiewit Institute professorships, salary support, research and faculty start-up packages and graduate student stipends.

The proposed project would allow the university to increase the number of on-campus residence hall beds beyond what the university could finance with its existing revenue bond funding capacity. This would be accomplished by the Scott Foundation's discount, estimated to range between $2.56 million and $8.88 million. Much or all of the discount would be repaid over a 30-year period through development fees. The estimate net present value of those fees is between $5.23 million and $7.5 million.

The size of the Scott Foundation's discount cannot be determined at this time since construction of the project has been neither bid nor completed. If the actual total project costs come in significantly lower than estimated by the Scott Foundation, the Commission believes that some portion of those savings should benefit the university and its students – especially in the event that the actual total project costs come in less than the total of the $15.67 million upfront purchase payment (based on current interest rates) plus the net present value of development fees.

Unfortunately, the current proposal does not satisfactorily address the determination of actual project costs or the reasonableness of the purchase price. Rather, a specified price (tied to interest rates) is to be paid, regardless of the eventual costs of construction. And there is no provision for providing savings to the university and its students if actual construction costs are lower than presently expected – a significant possibility based on the competitive bidding environment.

When asked if potential savings could be taken into account in such a manner, university representatives stated that they would be unable to modify the existing *Ground Lease/ Purchase Agreement* with the Scott Foundation. The university pointed to the long-standing generosity of the Scott Foundation in regard to UNO and the anticipation that that generosity would continue in the future. If the Legislature chooses to approve the proposal, the Commission recommends that it attempt to address these points.

Revenue bond proposals typically provide sufficient information for the Commission to evaluate whether the best alternative has been considered and whether all costs (both initial and long-term) are justified when considering reasonable alternatives. Actual direct costs plus long-term development and management fees need to be considered when evaluating the value of this proposal to the university and its students.

Nevertheless, three unusual aspects of this proposal cause the Commission, in spite of its reservations, to recommend approval. First, students coming to UNO through the Bright Futures Initiative and the Avenue Scholarships program will need on-campus housing. UNO housing is currently full. Second, the proposal builds on a strong, established relationship with a generous supporter of UNO. And finally, the unpredictable nature of the current bond markets makes it difficult to predict whether it would be more beneficial to finance the project sooner or later. The university is convinced that doing so sooner will result in better bond rates, thereby, potentially at least, benefiting the Scott Foundation, a long-time supporter of UNO. And the Commission acknowledges that Scott Village II will provide benefits to UNO and its students.

Exhibit A

SCOTT VILLAGE II - University of Nebraska at Omaha
NPV of Development Fee

(The Analysis below calculates the NPV of the Development Fee for the projections relating to Scott Village II - assuming 480 beds, a $23.5 million cost and $8.9 million of discount).

Year	Development Fee	
1	$ -	2011
2	$ 32,714	2012
3	$ 74,138	2013
4	$ 110,880	2014
5	$ 157,395	2015
6	$ 200,099	2016
7	$ 246,290	2017
8	$ 288,600	2018
9	$ 334,132	2019
10	$ 382,746	2020
11	$ 434,273	2021
12	$ 488,504	2022
13	$ 538,827	2023
14	$ 591,998	2024
15	$ 648,418	2025
16	$ 688,325	2026
17	$ 723,538	2027
18	$ 757,381	2028
19	$ 796,024	2029
20	$ 833,341	2030
21	$ 869,507	2031
22	$ 908,697	2032
23	$ 949,986	2033
24	$ 990,397	2034
25	$ 1,033,114	2035
26	$ 1,078,163	2036
27	$ 1,123,087	2037
28	$ 1,167,581	2038
29	$ 1,214,833	2039
30	$ 1,261,873	2040

NPV $5,229,701

Rate: 7.00%